

Message Text

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EXDIS - MILITARY ADDRESSEE HANDLE AS SPECAT EXCLUSIVE

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FOL RPT REYKJAVIK 0159 ACTION SECSTATE INFO BONN COPENHAGEN

HELSINKI LONDON OSLO STOCKHOLM NATO 3 FEB QUOTE

C O N F I D E N T I A L REYKJAVIK 0159

EXDIS

E.O. 11652: XGDS-1

TAGS: EFIS PFOR MARR IC UK NATO

SUBJECT: ICELAND-UK FISHERIES DISPUTE: CONVERSATION WITH MINJUSTICE
JOHANNESSEN

1. ABOUT TEN DAYS AGO JUSTICE MIN OLAFUR JOHANNESSEN, WHO
ADAMANTLY OPPOSES ANY KIND OF FISHERIES AGREEMENT WITH UK, CALLED
ME TO HIS OFFICE FOR A "FRANK, FRIENDLY, OFF-THE-RECORD CHAT
ABOUT THE STATE OF AFFAIRS BROUGHT ON BY THE COD WAR." HIS REAL
PURPOSE TURNED OUT TO BE A WARNING THAT UNLESS THE USG VOLUNTARILY
TAKES ON AN ACTIVE AND VISIBLE DEFENSE OF ICELAND AGAINST THE
BRITISH, THE IDF WILL BE IN SERIOUS DANGER. HE ALSO WANTED ME TO
KNOW THAT WHEREAS IN THE LEFTIST GOVT WHICH HE HEADED (1971-74)
HE WORKED TO SAVE THE BASE (COMMENT: THIS IS TRUE), HE WILL NOT DO
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THE SAME TODAY UNLESS THE USG HONORS ITS "OBLIGATION" TO ICELAND.

AS ALLEGED PROOF THAT USG IS OBLIGATED TO DRIVE THE BRITISH FRIGATES OUT OF THE DISPUTED WATERS HE CITED POINT E OF THE AGREED MINUTE OF THE 1974 MOU WHICH READS AS FOLLOWS: "THE TWO GOVERNMENTS WILL STUDY WAYS TO FURTHER THE COOPERATION BETWEEN THE ICELAND DEFENSE FORCE AND THE ICELANDIC COAST GUARD, CIVIL DEFENSE, AND CIVIL AVIATION AUTHORITIES."

2. AFTER EXPRESSING MY ASTONISHMENT AS TO HOW HE AS AN INTERNATIONAL LAWYER OF HIS STANDING AND AS THE ASTUTE GOVT LEADER HE CLAIMS TO BE COULD POSSIBLY BELIEVE THIS, I SUGGESTED HE CONTACT THE FONMIN, HANS ANDERSEN AND HIS OWN COAST GUARD DIRECTOR FOR CONFIRMATION THAT THERE IS NOTHING ANYPLACE IN THE MOU WHICH OBLIGATES USG TO BECOME INVOLVED IN ICELAND'S FISHERIES DISPUTES. I REMARKED THAT DURING THE IDF NEGOTIATIONS THE USG TOOK THE INITIATIVE TO MAKE CLEAR, AND IT WAS ACCEPTED BY THE ICELANDIC GOVT, OF WHICH HE IS A PART, THAT USG WILL NOT BECOME INVOLVED IN ANY OF ICELAND'S BILATERAL DISPUTES AND THAT THE MOU DOES NOT ALTER THE DEFENSE RELATIONS THAT ARE SPELLED OUT OR IMPLIED IN THE ORIGINAL 1951 AGREEMENT, OF WHICH THE 1974 MOU IS A CONTINUATION. A HEATED ARGUMENT FOLLOWED DURING THE NEXT 50 MINUTES. HE BACKED OFF BY SAYING PERHAPS IT WAS A MOOT MATTER SINCE HE DOUBTED THE PRESENT GOVT WOULD EVER REQUEST IDF MILITARY INTERVENTION. I REFUSED TO ACCEPT THIS AND CONTINUED TO INSIST HE SATISFY HIMSELF ABOUT THE CORRECTNESS OF MY RESPONSE WITH THE ICELANDIC NEGOTIATORS. WHEN THE CONVERSATION BECAME MORE RELAXED JOHANNESSON ASKED (1) WHETHER USG WOULD CONSIDER SALE OF PATROL BOATS, ARMS AND HELICOPTERS TO THE COAST GUARD; AND (2) WHETHER THE MOU COULD BE INTERPRETED TO PERMIT SUCH SALES AT CONCESSIONAL RATES. I REPLIED THAT I WAS NOT IN A POSITION TO ANSWER EITHER QUESTION BUT WOULD TRANSMIT THEM TO WASHINGTON FOR STUDY.

3. IN THE COURSE OF OUR ARGUMENT I TOLD JOHANNESSON (IN THE SPIRIT OF FRANKNESS THAT HAS CHARACTERIZED OUR RELATIONSHIP THESE PAST 3 YEARS) THAT IT APPEARED ICELAND WAS TRYING TO FLEX MUSCLES IT REALLY DOES NOT HAVE, AND REMINDED HIM THAT USG DOES NOT SUCCUMB TO "BLACKMAIL." I ALSO SUGGESTED HE NOT DELUDE HIMSELF THAT THE IDF IS NOT VITAL TO THE SECURITY OF ICELAND, AND I CAUTIONED HIM NOT TO JEOPARDIZE THAT SECURITY. I TOOK THE OCCASION, ALSO, TO SUGGEST HE CONSIDER THE HARMFUL EFFECT ON ICELAND'S ECONOMY THAT A FORCED WITHDRAWAL OF THE IDF COULD BRING ABOUT. WHILE

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POINTING OUT SEVERAL TIMES THAT I WAS NOT MAKING THREATS OR PREDICTIONS, I SAID I WOULD LIKE TO HELP HIM THINK OF SOME OF THE MEASURES THAT WERE NOT OUT OF THE REALM OF POSSIBILITIES: (A) ALL CONSTRUCTION AT IDF WOULD NATURALLY STOP, HITTING ICELAND THE HARDEST AT A TIME WHEN ICELAND EXPECTS UNEMPLOYMENT TO DEVELOP. I POINTED OUT THAT ICELAND GETS EXCITED WHEN UNEMPLOYMENT HITS 200. IF IDF CLOSES, ICELAND CAN EXPECT TO ADD AT LEAST TEN TIMES THAT NUMBER TO ITS UNEMPLOYMENT ROLLS. (B) ICELAND EARNS APPROXI-

MATELY \$26 MILLION A YEAR IN FOREIGN EXCHANGE FROM IDF OPERATIONS WHICH JUST HAPPENS TO BE THE AMOUNT OF ITS RESERVES IN GOOD TIMES AND WHICH THIS YEAR HAS BEEN OF INDESCRIBABLE ADVANTAGE. IT IS A CUSHION ICELAND DENIES IT NEEDS BUT IS ALWAYS GLAD TO HAVE. (C) IF IDF IS FORCED TO WITHDRAW, ICELAND'S SECURITY WOULD BE SO ENDANGERED THAT ITS FINANCIAL CREDIBILITY WITH FOREIGN LENDERS COULD BE SHAKIER THAN IT IS NOW. (D) ICELANDIC AIRLINES CURRENTLY ENJOYS AN ATTRACTIVE CONCESSION FROM USG. THERE WOULD BE SERIOUS QUESTION WHETHER THIS CONCESSION SHOULD BE CONTINUED. IF WITHDRAWN ICELAND WOULD BE HARD-PRESSED TO FILL ONE 727 A WEEK TO NEW YORK INSTEAD OF THE PRESENT NINE STRETCH DC-8S. THE FOREIGN EXCHANGE LOSS WOULD BE FELT. (E) IF ICELAND BROKE RELATIONS WITH UK, LEFT NATO, AND FORCED OUT THE IDF, THERE WAS NO REASON TO BELIEVE ICELAND WOULD BE BETTER OFF ON THE FISHING GROUNDS THAN NOW. IN MY OPINION, MOST LIKELY WORSE. (F) ICELAND'S LARGEST CUSTOMER OF FISH IS U.S. IF AMERICANS BECAME ANGRY ENOUGH OVER ICELAND'S ACTION, WE COULD CONCEIVABLY LOOK ELSEWHERE FOR SUPPLIERS. IF USSR OFFERED TO FILL THE GAP AND TAKE ICELAND'S FISH, IT WILL NOT BE WITHOUT DISADVANTAGES TO ICELAND.

4. JOHANNESSEN REACTED CALMLY TO ALL OF THIS, SAYING THESE CONSEQUENCES COULD DEVELOP, BUT AT PRESENT, AT ANY RATE, THE ICELANDIC PEOPLE ARE TOO AROUSED OVER UK ACTION AND NATO INACTION TO LISTEN TO REASON. HE CLAIMED THAT HE WAS WARNING ME AS A "FRIEND OF THE UNITED STATES." HE SAID HE WAS RELATING SITUATION WHICH COULD DEVELOP. HE SAID THAT THE PEOPLE BELIEVE THAT CLOSING THE BASE WILL HURT THE U.S. AND NATO MORE THAN ICELAND. ICELAND HAS SURVIVED THROUGH ADVERSITIES BEFORE AND WILL AGAIN.

5. I MENTIONED MY CONVERSATION TO THE FONMIN YESTERDAY. WITH RESPECT TO THE CLAIM OF AN OBLIGATION UNDER THE MOU TO ASSIST IN THE COD WAR, HE SAID JOHANNESSEN MENTIONED THIS AT A PROGRESSIVE PARTY MEETING LAST WEEK, BUT HE REFUTED IT AND BACKED ME UP. THE CONFIDENTIAL

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FONMIN HAD NO REACTION TO MY NARRATION OF "CONCEIVABLE CONSEQUENCES," WHICH I ALSO RELATED TO HIM YESTERDAY. HE LISTENED BUT WOULD NOT COMMENT.

6. COMMENT: WHEN AROUSED, ICELANDERS ACT FIRST AND THINK LATER. THEY TEND TO LOOK TO THE PAST AND THE PRESENT, AND ASSUME THAT THE FUTURE WILL ALWAYS TAKE CARE OF THEM. THE UNFORTUNATE PART OF ALL OF THIS IS THAT ICELANDERS ARE INDEED BLAMING NATO, AND BY EXTENSION, THE USG FOR NOT RESCUING THEM FROM THEIR TROUBLES. FROM THE START OF THE COD WAR EVERY MEMBER OF THIS EMBASSY HAS CAUTIONED ICELANDERS AT ALL LEVELS OF CONTACT TO CONSIDER THE CONSEQUENCES OF ASSOCIATING THE FISHERIES DISPUTE WITH DEFENSE MATTERS. SINCE MY CONVERSATION WITH JOHANNESSEN WE HAVE INTENSIFIED OUR EFFORTS. WE ARE ALMOST IN THE SAME SITUATION TODAY WITH RESPECT TO THIS AS WE WERE A COUPLE OF YEARS AGO WHEN WE WERE CONTENDING

WITH BOTH ARTICLE VII INVOCATION AND "COD-WAR II."
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